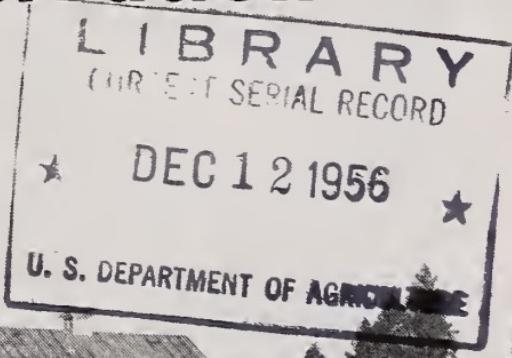


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Loans for Soil and Water Conservation



PA No. 253
U. S. DEPARTMENT OF AGRICULTURE
Farmers Home Administration

Loans for Soil and Water Conservation

Soil and water conservation loans encourage and help farmers in the improvement, protection, and proper use of farm-land by providing adequate financing for soil conservation; water development, conservation, and use; and drainage. The loans help farmers and ranchers make good use of land diverted from the production of surplus crops, protect their land resources against adverse weather conditions, and improve their economic circumstances.

A series of questions and answers explaining the details of the soil and water conservation loan program follow:

Who may borrow?

To be eligible for a soil and water conservation loan an applicant must—

1. Be a citizen of the United States.
2. Be a farm owner or operator.
3. Be unable to obtain the necessary credit on reasonable terms and conditions from private or cooperative sources.
4. Have enough experience or training to indicate reasonable prospects of carrying on successful farming operations.
5. Plan to improve a farm which is large enough to produce a substantial part of the operator's annual cash income.

Nonprofit organizations such as incorporated water users' associations, mutual water and drainage companies, irrigation and drainage districts, soil conservation districts, and grazing associations are

eligible for a loan when they are unable to obtain adequate credit elsewhere and meet certain other conditions. For example, associations to be eligible must be primarily engaged in extending to their members services directly related to soil conservation; water development, conservation, and use; or drainage of farmland.

For what purposes are loans made?

Loan funds may be used to pay the cash costs of making improvements directly related to soil conservation; water development, conservation, and use; forestation, permanent pasture, drainage of farmland, and related measures.

This includes such improvements as construction and repair of terraces, dikes, ponds and tanks, ditches and canals for irrigation and drainage, waterways, and erosion control structures. Also sodding, subsoiling, pasture improvement, brush removal, land leveling, basic application of lime and fertilizer, fencing, tree planting, farmstead and irrigation, well drilling, and the purchase of pumps, sprinkler systems and other irrigation equipment.

Loans will not be made for annually recurring costs that generally are considered as farm operating expenses. Loans will be made to carry out only the types of soil and water conservation practices that are in accord with recommendations made by the Extension Service and Soil Conservation Service.

Where are applications made?

Applications for all loans, insured or direct, are made at the local county office of the Farmers Home Administration.

Do veterans receive preference?

Applications from veterans receive preference in processing.

Who determines applicants' eligibility?

The decision is made by the local 3-member Farmers Home Administration county committee, at least two of whom are farmers. Committee members are familiar with local agricultural conditions and their judgment is established in the community.

What are the dollar limits?

Individuals can borrow amounts up to \$25,000, but the average loan application is for about \$5,000. The ceiling on loans to associations is \$250,000.

What are the time limits?

Loans are scheduled for repayment within the shortest time consistent with the borrower's ability to repay. No loan will be scheduled over a period exceeding the useful life of the improvement or of the security, whichever is less. In no case will the repayment period on loans to individuals exceed 20 years. Loans to associations will be repaid on the same basis as individual loans, but in exceptional cases can be amortized over periods up to 40 years. Each borrower will be required to refinance the unpaid balance of the loan when able to obtain a loan at reasonable rates and terms from other sources.

What security is required?

Loans will be secured by the best liens obtainable on chattels or real estate to the extent necessary to adequately protect the Government's interests.

Who processes and services the loans?

In the case of either direct or insured loans, the Farmers Home Administration

makes the loans, collects the payments, and services the security.

What water rights are required if water development or use is involved?

The applicant must comply with the laws or regulations of his State. Some States regulate the appropriation and use of water, and it is necessary to comply with their regulations. In a State that does not require filing for a water right, but does not prohibit it, then the applicant must file as an added protection for his loan. He must furnish the Farmers Home Administration evidence required to determine that (1) the supply of water will be adequate, and (2) that his use of the water will not interfere with vested rights or existing established uses, and will not likely be contested by other users or owners.

Where will applicants obtain technical help?

Technical assistance necessary for planning and installing the improvements will be obtained by the applicant from the Soil Conservation Service, Extension Service, other agencies, private individuals, or firms. Technical assistance from the Farmers Home Administration will be limited to assisting the applicant in determining that the engineering is feasible, that the cost estimates and plans appear to be complete and reasonable, and that the improvements are in accordance with approved practices. The Farmers Home Administration will also assist in evaluating the economic soundness of the proposed improvements.

If the loan is made, the Farmers Home Administration will make sure the funds are used for authorized purposes and that the construction meets approved standards.

Any charges for technical services will be paid by the borrower from personal funds if possible, or from loan funds.

If major land-use adjustments and extensive reorganization of the farm business are involved, Farmers Home Administration personnel will help in the development and carrying out of sound farm and home plans when such plans are deemed necessary.

Where do the loan funds come from?

Loans can be made from: (1) Funds advanced by private lenders such as banks, insurance companies, or any organization or individual wanting to invest in Government-insured paper and at the same time cooperate in a program that helps develop the agricultural interests in the community, or (2) direct loan funds that are appropriated annually by Congress.

The law authorizes the Farmers Home Administration to insure loans up to a total of \$25 million each year. Direct loans will be made only at times when insured funds are not available. Direct loans can be made only to the extent of annual appropriations.

What other loans are made by the Farmers Home Administration?

Loans may also be obtained from the Farmers Home Administration for farm and home operating expenses, the purchase and development of family-type farms, farm housing, and emergency credit needs.